

**MINUTES
MEETING OF THE FINANCE COMMITTEE
OF THE BOARD OF DIRECTORS
ENRON CORP.
FEBRUARY 12, 2001**

Minutes of a meeting of the Finance Committee ("Committee") of the Board of Directors of Enron Corp. ("Company"), noticed to begin at 4:00 p.m. C.S.T., but actually begun at 4:05 p.m., C.S.T., at the Enron Building, Houston, Texas.

The following Committee members were present constituting a quorum:

Mr. Herbert S. Winokur, Jr., Chairman
Mr. Robert A. Belfer
Mr. Ronnie C. Chan
Mr. Jerome J. Meyer
Mr. Paulo V. Ferraz Pereira
Mr. Frank Savage
Mr. John A. Urquhart

Committee member Norman P. Blake, Jr. was absent from the meeting. Directors Wendy L. Gramm, Ken L. Harrison, Kenneth L. Lay, John Mendelsohn, and Jeffrey K. Skilling; Messrs. William S. Bradford, Richard B. Buy, Richard A. Causey, Timothy A. DeSpain, Andrew S. Fastow, Ben F. Glisan, Jr., David G. Gorte, Mark E. Koenig, and Jordan H. Mintz, and Ms. Rebecca C. Carter, all of the Company or affiliates thereof, and Mr. Richard N. Foster, of McKinsey & Company, Inc., also attended the meeting.

The Chairman, Mr. Winokur, presided at the meeting, and the Secretary, Ms. Carter, recorded the proceedings.

Mr. Winokur called the meeting to order, noted that a draft of the minutes of the meeting of the Committee held on December 11, 2000 had been distributed to the Committee members, and called for any corrections or additions. There being none, upon motion duly made by Mr. Winokur, seconded by Mr. Meyer, and carried, the minutes of the meeting of the Committee held on December 11, 2000 were approved as distributed.

Mr. Winokur called upon Mr. Fastow to present the Chief Financial



including coverage and leverage ratios, and stated that the ratios were based on the current plan. He noted that during January the Company had purchased approximately one million shares of the Company's stock now held in treasury. He presented a chart depicting the Company's interest rate exposure and noted the dollar amounts at fixed and at floating interest rates. He then reviewed the Company's cost of capital, utilizing the CAPM Black Scholes valuation method, and discussed changes from the last report to the Committee.

Mr. Winokur changed the agenda to discuss the Company's transactions with LJM later in the meeting and called upon Mr. Glisan for the Treasurer's report, a copy of which is filed with the records of the meeting. Mr. Glisan reviewed the liquidity report as of January 29, 2001 and noted that the Company's total liquidity was currently over \$8.3 billion. He then reviewed the Company's outstanding letters of credit and discussed the changes since year end. He presented the Company's guarantee portfolio as of year end and noted that required guarantees continued to be higher than normal due to the significant increase in the volumes transacted by the Company. He then stated that there had not been any change in the Company's ratings by the rating agencies but noted that the Company was working on being upgraded to "positive outlook" by Standard & Poors. Mr. DeSpain joined him for a discussion of the zero coupon convertible debt security recently issued by the Company.

Mr. Winokur called upon Mr. Buy to present the Chief Risk Officer's report, a copy of which is filed with the records of the meeting. Mr. Buy distributed a handout titled "Supplemental Schedules", a copy of which is filed with the records of the meeting. He reviewed the Company's major relationship credit exposures and all of the Company's trade credit exposures that were in excess of \$50 million. He then discussed the Company's internal rating of each company, the Company's total exposure, and any collateral held by the Company. He noted that only three of the major relationship credit exposures had a below investment grade rating. He then reviewed the cash and other collateral that the Company had received from or paid to its counterparties as of February 8, 2001. Mr. Skilling joined him for a lengthy discussion of the situation in the California energy markets and the efforts by the Company to mitigate its credit exposure.

Mr. Buy then began a discussion of the Company's merchant portfolio and noted that there had been a significant increase in the Company's gross and net credit exposure since the end of the third quarter 2000. He then moved to a discussion of the Risk Assessment and Control ("RAC") group's analysis of Enron Energy Services LLC ("EES"). He noted that EES had made significant progress in continuing to develop projects and obtaining customer approvals and that EES's project installation phase was now ahead of the plan. He stated that the RAC group had completed an energy asset management verification project to evaluate

EES's actual performance relative to its initial engineering estimates. He stated that the total net present value of all projects was close to the original projected value but that the standard deviation was quite high. He noted that the RAC group had determined that the issues facing EES included a wide range of distribution of the energy efficiency of the outcomes and an increased need for a premeasurement process to validate actual energy savings on individual projects. He reviewed the additional steps that were being undertaken by the RAC group to complete the analysis of EES's business and commented on the impact of the California energy crisis on the business efforts. He updated the Committee on the efforts of the EES and RAC task force and Mr. Skilling joined him for a discussion of certain recent management changes at EES.

Mr. Buy then began the market risk update by discussing the profit or loss that each commodity group had earned during 2000 compared to the average Value at Risk ("VAR") it had taken. He then presented the same information by business unit and specific commodity. He reviewed the VAR limit utilization by commodity for each quarter of 2000 and gave an overview of the VAR backtesting. He then presented four stress scenarios that had been analyzed by the RAC group and commented on the potential impact of each scenario on the Company's earnings. He noted that the potential impact of one of the scenarios had already been somewhat mitigated since the analysis was done. He then presented stress testing of the Company's exposure under "worst case" scenarios of 5% and 25% shifts in commodity prices.

Mr. Buy then discussed the Company's foreign exchange exposure by business unit and commented on the amounts that would be recorded in the Company's currency translation account and income statement. He reviewed a sensitivity analysis comparing the Company's foreign currency exposure in South America to that of all the other business units and provided an update on the status of the RAC group's overall foreign exchange project. He then began a discussion of the proposed changes to the Enron Corp. Risk Management Policy ("Policy"). He noted that the first change was to increase the aggregate VAR limit by \$25 million and Mr. Skilling joined him for a discussion of the reason for the proposed

aspects related to the cross-commodity trading section of the Policy, and 6) specifying the operational control requirement that all trades executed over the telephone must be recorded electronically. Following a lengthy discussion, upon motion duly made by Mr. Ferraz Pereira, seconded by Mr. Chan, and carried, all of the proposed changes to the Policy with the exception of items 3 and 4 above were approved for recommendation to the Board.

Mr. Winokur then called upon Mr. Buy to discuss the proposed changes to the Transaction Approval Process ("TAP"). Mr. Buy stated that the proposed changes to the TAP were recommended to take into account certain reorganizations at the Company and to add capital expenditures to the risk adjusted capital definition to determine the aggregate exposure in transactions. Following a discussion, upon motion duly made by Mr. Ferraz Pereira, seconded by Mr. Urquhart, and carried, the proposed changes to the TAP as presented at the meeting were approved for recommendation to the Board.

Mr. Winokur then called upon Mr. Gorte to begin the Eli Lilly presentation. Mr. Gorte noted that the Board had approved a transaction with Eli Lilly in December of 2000 and stated that the Company was recommending adjustments to the deal structure to: 1) decrease the approved energy asset project capital, 2) add LLC capital and mobilization costs, and 3) add a lease component to finance capital replacement expenditures. He reviewed each of the recommended adjustments and noted that it would not cause a significant increase in the risks of the project. Following a discussion, upon motion duly made by Urquhart, seconded by Mr. Savage, and carried, the proposed adjustments to the Eli Lilly project presented at the meeting were approved for recommendation to the Board.

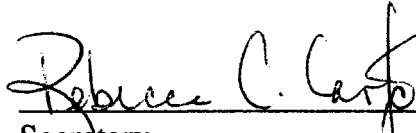
Mr. Winokur then called upon Mr. Glisan to begin the Project Crane presentation. Mr. Glisan stated that when the Board initially approved Project Crane the resolution did not provide the Company the flexibility to close the transaction on balance sheet and that management was recommending an additional resolution to provide this flexibility. Following a discussion, upon motion duly made by Mr. Meyer, seconded by Mr. Urquhart, and carried, the modification to Project Crane as presented at the meeting was approved for recommendation to the Board.

Messrs. Bradford, DeSpain, Glisan, Gorte, and Koenig and Directors Gramm and Skilling left the meeting.

Mr. Winokur called upon Messrs. Causey and Fastow to review the Company's procedures regarding transactions with LJM and the transactions completed in 2000. Mr. Fastow began with a discussion of the Company's

utilization of the LJM vehicles. Mr. Causey reviewed each of LJM's investments with the Company that were made during 2000. He categorized the investments into four areas, balance sheet, hedges, income statement, and other, and presented a brief description of each transaction and the notional dollar amount. He then reviewed the Company's internal policies and procedures that were in place to monitor transactions between the Company and LJM, stated that the items had also been discussed with the Audit and Compliance Committee, and commented that the process was working effectively. He also noted that the Company had implemented supplemental efforts to complement the Board-established guidelines regarding transactions between the Company and LJM.

There being no further business to come before the Committee, the meeting was adjourned at 5:45 p.m., C.S.T.


Secretary

APPROVED: 